

Message Text

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LIMDIS

PASS TREASURY, FRB AND CEA

E. O. 11652: N/ A

TAGS: EFIN, EEC, US

SUBJ: INFORMAL MEETING OF EC FINANCE MINISTERS MARCH 23--

INTERNATIONAL MONETARY REFORM

REFS: A. WENDT- KRIZAY (EB/ IFD/ OMA) TELCON MARCH 23

B. LONDON 03304 (NOTAL)

1. (THIS MESSAGE IS BEING TRANSMITTED LIMDIS BECAUSE OF THE
CLASSIFICATION OF REF B.) FURTHER TO REF A TELCON, THE EC FINANCE
MINISTERS MET INFORMALLY IN BRUSSELS ON MARCH 23 TO DISCUSS
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INTERNATIONAL MONETARY REFORM IN PREPARATION FOR THE C-20 MEETING IN WASHINGTON BEGINNING TODAY. THE MINISTERS AGREED THAT THE UK TREASURY PAPER DESCRIBED IN REF B ON THE ADJUSTMENT PROCESS AND USE OF QUANTITATIVE INDICATORS FORMED THE BASIS FOR A COMMON EC VIEW ON THESE ISSUES. THE EC MONETARY COMMITTEE HAD PREVIOUSLY REACHED THE SAME CONCLUSION.

2. ACCORDING TO OUR SOURCES, THE FINANCE MINISTERS' DISCUSSION RESULTED IN A GENERAL CONSENSUS THAT, AS INDICATED IN THE PAPER, THE CONCEPT OF FUNDAMENTAL DISEQUILIBRIUM SHOULD BE RETAINED IN REACHING A JUDGMENT ON THE NEED FOR ADJUSTMENT. THE MINISTERS GENERALLY THOUGHT THAT THE VOLCKER PAPER SUBMITTED TO THE MORSE COMMITTEE WAS STILL SOMEWHAT ONE- SIDED IN ITS EMPHASIS ON PARITY CHANGES AS A MEANS FOR ADJUSTMENT. ALL THOUGHT OBJECTIVE INDICATORS HAD AN IMPORTANT ROLE TO PLAY BUT SHOULD BE USED INITIALLY TO TRIGGER CONSULTATIONS RATHER THAN PARITY CHANGES.

3. OUR SOURCES INDICATED THE MINISTERS ALSO DISCUSSED CONVERT-
IBILITY AND CONSOLIDATION OF DOLLAR BALANCES AND GENERALLY
AGREED THAT THE FORMER COULD NOT BE RESTORED WITHOUT THE LATTER.
TWO POSSIBILITIES FOR CONSOLIDATION, EITHER THROUGH BILATERAL
AGREEMENTS OR MULTILATERALLY THROUGH THE IMF, WERE DISCUSSED IN
GENERAL TERMS. THE MINISTERS EXPRESSED A COMMON POINT OF VIEW
THAT THE ISSUES OF CONVERTIBILITY, CONSULTATION AND THE
NUMERAIRE SHOULD BE STUDIED FURTHER BY THE C-20 DEPUTIES.
WE UNDERSTAND THE DUTCH EXPRESSED SOME CONCERN ABOUT TOO MUCH
OPEN DISCUSSION OF CONVERTIBILITY AND CONSOLIDATION, LEST SUCH
DISCUSSION ENCOURAGE SPECULATION, WHILE THE FRENCH THOUGHT THAT
DISCUSSION OF CONSOLIDATION AT THIS TIME WAS PREMATURE.

4. ALL THE MINISTERS EXPRESSED A SENSE OF URGENCY ON THE
IMPORTANCE OF PROGRESS IN INTERNATIONAL MONETARY REFORM.
HARTMAN

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*** Current Classification *** LIMITED OFFICIAL USE

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